

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on January 10, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Roger Somerville, Vice Chairman (R)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB37, 1/4/2001
Executive Action: None

CHAIRMAN STORY announced that HB 149 is being postponed, so that bill will not be heard today.

Kurt Alme, Director, Montana Department of Revenue, gave an informational presentation to the committee regarding general impacts of the new economy, which includes technology, and what the Department can possibly perceive as stresses put on the tax system. **EXHIBIT(tah07a01)**

HEARING ON HB 37

Sponsor: **REPRESENTATIVE JOHN WITT, HD 89, Carter**

Proponents: **Dolores Cooney, Department of Revenue**
Gordon Morris, Montana Association of Counties
Mary Whittinghill, Montana Taxpayers Association

Opponents: None.

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 18.5}

REPRESENTATIVE JOHN WITT said this bill eliminates the requirement that the Department of Revenue certify the prior year mill levies to taxing jurisdictions. The bill updates the code regarding local governments needing to establish their mill levies in compliance with the appropriate statutes. It takes out the confusing language referring to 95% of the taxable value and the specific calculations the Department of Revenue to make for local governments that are not needed.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 21}

Dolores Cooney, Department of Revenue, stated this is a Department of Revenue cleanup bill removing some out-of-date language from the statute referring to the information the Department certifies to local government school districts.

Gordon Morris, Director, Montana Association of Counties, supports the bill because it does clean up some of the statute, particularly the certification requirements of the 95% calculation the Department has done annually since approximately 1974 that is confusing as to what is exactly intended. He had a suggestion to the committee and sponsor bearing on the bill in Section 2 by striking the language relative to new construction

and substituting 15-10-420. One of the problems in 15-10-420 subsection 3 is that they try to break out new construction that has occurred since the Department last certified the values because local governments are benefitted by being able to assess taxes against that property. He asked the committee to address the definition regarding centrally assessed property. His concern lies with the definition of new construction and asks that it be tidied up.

Mary Whittinghill, Montana Taxpayers Association, said they are in support of a portion of the bill. This is the clarification under Section 2 regarding the Department's requirement of certifying that taxable value to local jurisdictions. This section because of 15-10-420 really does not hold much weight and does not need to take place. She agrees with Gordon Morris in determining a new definition for newly taxable property under 15-10-420. They are probably bringing forward legislation this session to clarify that definition. Not only was there a problem with reclassification, there was also a significant problem with what is determined revaluation caused by centrally assessed properties. Centrally assessed properties are revalued every year. The Department certified a value without regard to the component of revaluation and the component the local government should have received as an actual growth in property. They believe there needs to be some work on the definition under 15-10-420.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 29}

REPRESENTATIVE FUCHS asked if this bill were passed without the amendment to the definition if it would be supported. **Mary Whittinghill** replied that it would if they did come forth with other legislation to clarify that definition. Because counties are required to calculate exclusive of newly taxable value, the mill levies increase significantly to the taxpayers. They will be working with the counties to see if an adjustment can be made in the future to take of the problem that arose in tax year 2000. If the definition is clarified by other legislation, they believe this bill would be okay. **REPRESENTATIVE FUCHS** asked if this other bill was ready. **REPRESENTATIVE WITT** said he was familiar with the other bill.

REPRESENTATIVE SCHMIDT asked if the Department considered making the changes to the definition in 15-10-420 when the bill was drafted. **Dolores Cooney** said this bill addressed the language

about the 95% calculation. It still holds they have to pass to the county and other taxing jurisdictions the taxable value of newly constructed property, but they did not address 15-10-420.

CHAIRMAN STORY said that after the hearing today they could spend time talking about how SB 184 works so the committee members could understand how this works. He asked the Department of Revenue to provide a copy of that section of the law to the committee.

REPRESENTATIVE ERICKSON asked if there could be an explanation to the committee as to why there was the sentence about 95%.

Dolores Cooney said this was part of the legislation with the aftermath by 105 with the idea it would give some extra cushion to the jurisdictions when they calculated their mill levies. Since that was put in statute, they have had numerous changes to property tax. This no longer has any bearing on how they calculate.

REPRESENTATIVE BALLYEAT asked if there was a reason why the definition issue was not addressed in just one bill. **Dolores Cooney** stated this particular bill addressed only this section simplifying the mill levy calculation process that goes to local governments and jurisdictions. It contains the definition of newly taxable value, which was an outcrop of SB 184, so they were isolating this bill to simplify the information given to local governments.

REPRESENTATIVE FORRESTER asked Mr. Morris to give his explanation of the 95%. **Gordon Morris** said the 95% predates I105 and was part of the code that came into affect after the 1972 constitutional change. The Department is required to calculate the mill levies that can be set for any purpose based on using 95% of the newly certified value. That allows a ratchet effect for the property taxes that would be generated equivalent to the 105% rule, which is another statute in code. In other words, a county before I105 had the authority annually to increase their budgets by 105% and did it by virtue of certifying at 95% of the current value thereby getting that increase.

REPRESENTATIVE SCHMIDT asked if Dolores Cooney would like to respond to the last question. **Dolores Cooney** stated she thanked Mr. Morris for the clarification.

CHAIRMAN STORY said there is apparently a bill coming through to redefine newly taxable property, and in the interim committee with local government funding bill they are also looking at something that relates to this section of law regarding local governments being required to set their mill levy at a certain point in time. They are going to try to change that to a period

after the Department certifies, because in the past cycle the Department did not get the mill levies certified until well past the date. He asked why they did not put some language in the bill regarding that section of law requiring local governments to set their levies. **Dolores Cooney** said this was not looked at in writing this bill, as they just wanted to clean up the language. **CHAIRMAN STORY** asked if there were any bills addressing when local governments have to set their mill levies. **Dolores Cooney** said she would have to check and get back to the committee. **Gordon Morris** said "the big bill" does take care of this stating it is 45 days within receipt of the certification for the counties and local governments have to adopt their budget and set their levies. **CHAIRMAN STORY** said "the big bill" may never be here, but asked why those other cleanup issues that could be attached to bills like these are not dealt with so at least they are taken care of during this session in the smaller bills. **Gordon Morris** said he was not involved in drafting the bill.

REPRESENTATIVE FORRESTER asked Chairman Story if he was going to hold the bill until the committee sees the clarification in the definition under 15-10-420. **CHAIRMAN STORY** said he would have to see but did not see a problem moving this out of committee.

Closing by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 42.2}

REPRESENTATIVE WITT closed by saying the counties are in favor of this. This is a good bill for both the counties and the Department of Revenue.

CHAIRMAN STORY asked Jeff Martin to speak about titles and how it relates to what can be put in a bill and how much this can be changed around. **Jeff Martin** responded that the issue Chairman Story was referring to is a single subject bill, and in this case it is narrowly defined with how the Department of Revenue reports actual value to counties. If they try to revise the definition of newly taxable, which is a different subject area, generally there needs to be language of revised taxation to expand the scope of the bill. **CHAIRMAN STORY** stated there are only certain things that can be amended into a bill, and you cannot amend into a bill things that are not somehow included in the title.

Kurt Alme finished his informational presentation. Informal questions were taken regarding this presentation.

EXHIBIT (tah07a02)

CHAIRMAN STORY gave an explanation of 15-10-420. Informal discussion regarding this issue followed.

ADJOURNMENT

Adjournment: 10:10 A.M.

REP. BOB STORY, Chairman

RHONDA VAN METER, Secretary

BS/RV

EXHIBIT (tah07aad)